

<http://www.rurdev.usda.gov/ne>

Committed to the Future of Rural Communities.



**United States
Department of
Agriculture**

Real Estate Professionals Guide to Rural Development Financing

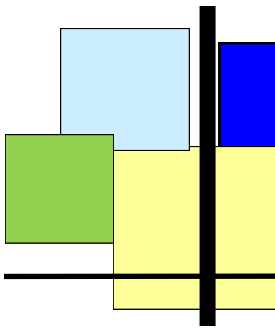


April 2014



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RURAL DEVELOPMENT + YOU = REWARDING PARTNERSHIP

At RURAL DEVELOPMENT we are committed to assisting rural communities.

RURAL DEVELOPMENT offers two separate homeownership programs to help more people achieve the dream of homeownership:

- ♦ **Direct Rural Housing Loan**
- ♦ **Guaranteed Rural Housing Loan**

We need dedicated lenders, real estate professionals, builders, contractors, appraisers and other professionals to help us achieve our mission in providing affordable housing.

This guide was designed to provide you with a working knowledge of our programs that will hopefully assist you in helping your clients.

RURAL DEVELOPMENT provided in Fiscal Year 2013, more than \$129 million through its' Guaranteed and Direct Rural Housing Loan programs that assisted one thousand two hundred ninety nine households to achieve the dream of homeownership.

Together we can serve more people!

Together we can make a difference!

REALIZING THE DREAM OF HOMEOWNERSHIP



**David and Karrie Huryta
Ravenna, Nebraska**

**CJ, Chris and Emily Kohut
Scottsbluff, Nebraska**

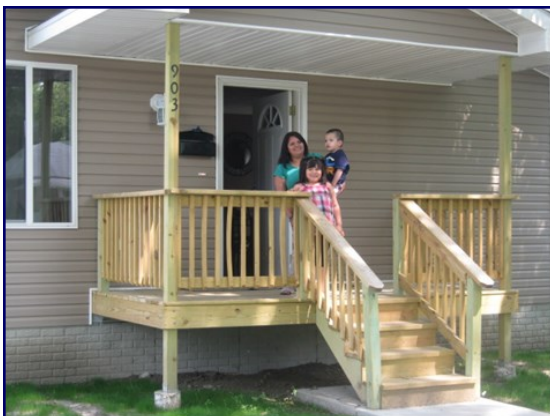




Success Stories

Partnering with Local Communities and Organizations

Helping Families Build Their Homes

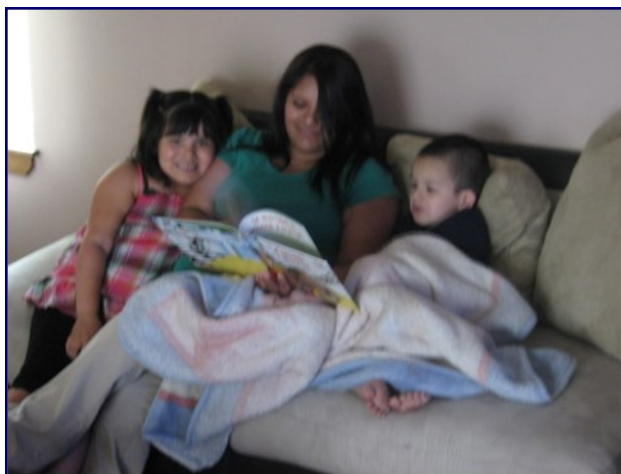


Outline of Need: Maribel Bernal and her two children had been living with her parents for a number of years. Maribel wanted an opportunity to create a home for her family. The Norfolk Housing Agency (NHA) directed Maribel to USDA Rural Development in an on-going partnership effort.

How Rural Development Helped:

USDA Rural Development was able to work with Maribel to determine her eligibility as an applicant. During this process, the City of Norfolk, acting through NHA, notified the local USDA Rural Development staff of a Community Revitalization program they were working on and thought Maribel would be a perfect fit. The City had received funding from the Nebraska Department of Economic Development (DED) in 2007 and 2008. These grants, written and administered by the Northeast Nebraska Economic Development District (NENEDD), are available to demolish dilapidated properties within the city limits. They also allow funds to be allocated to low-to-moderate income families in the form of construction subsidies and down payment assistance. USDA Rural Development provided 100 percent financing in January 2011 through the Rural Housing Direct loan program to help put this family in a newly built home for less than \$100,000.

The Results: Without the partnership between USDA Rural Development, the City of Norfolk, DED and NENEDD, Maribel would not have been able to purchase her 1,056 square foot, three bedroom dream home. The partnering generated benefits beyond that of homeownership. This process helped to clean up and revitalize a neighborhood by demolishing a dilapidated property and replacing it with a nice, newly built home constructed by a local contractor. The demolition and building process helped generate local business and employment.



“Being able to own a new home and being part the decision making as to what my home was going to look like was a rewarding experience. I was very fortunate to have the guidance from USDA Rural Development and the Norfolk Housing Agency as they were extremely helpful throughout the entire project. Thanks to USDA I was able make my dream a reality,” said Maribel Bernal.

Success Stories

Partnering with Local Communities and Organizations

HOMEOWNERSHIP BENEFITS EXTEND BEYOND TEACHER

Outline of Need: Christopher Urwiller, a second year teacher with the Scottsbluff schools, had been a renter when he learned of an opportunity to purchase his own home. Twin Cities Development (TCD) and Scottsbluff High School (SHS) students were working on a joint project where TCD provided the lot for construction of a new home built by high school students that would soon be completed and ready for sale.

How Rural Development Helped: Platte Valley (PV) Mortgage utilized the USDA Rural Development Guaranteed Home Ownership Loan program to assist Chris with the purchase of his first home. The program offered him the opportunity to buy a new home with no down payment and a low fixed interest rate, resulting in an affordable payment.

The Results: The partnership with TCD, PV Mortgage, Scottsbluff High School and USDA Rural Development generated benefits beyond homeownership. With the opportunity to build an actual house, enrollment in the construction class bloomed from around 20 students to 66 students. Students learned

how to frame, shingle, side and finish a home. The foundation, plumbing, electrical, heating, ventilating and air conditioning (HVAC) and drywall items were contracted out. By working with TCD and PV Mortgage, Chris was able to secure a purchase contract prior to completion of the home, which allowed him to pick his carpet colors, floor tile, and wood flooring to truly make the home his own.

Homeownership provided Chris an opportunity to establish roots in the community where he is already actively involved as a Physical Education teacher at Roosevelt Elementary and a coach with the Twin Cities baseball league.



TCD plans to continue the construction program with the local high school so that students can have a hands-on learning opportunity.

AFFORDABLE HOUSING

♦ WHAT IS AFFORDABLE HOUSING?

Housing is typically considered affordable when it costs no more than 30 percent of a household's income for principal, interest, taxes and insurance.

♦ WHY IS AFFORDABLE HOUSING NECESSARY?

Lack of affordable housing creates hardships in low-moderate households in meeting other basic needs.

Affordable housing provides social and economic benefits by stabilizing families, allowing families to build assets, establishes pride of ownership, broadens tax base and helps attract residential and commercial development.



♦ BARRIERS TO AFFORDABLE HOUSING:

1. Lack of cash reserves for down payment.
2. Inability to meet high housing costs.
3. Lack of available housing or sub-standard existing housing.
4. Availability of suitable financing.

**THROUGH RURAL DEVELOPMENT WE CAN OVERCOME
THESE BARRIERS TO ASSIST FAMILIES
TO OBTAIN AFFORDABLE HOUSING**



USDA RURAL DEVELOPMENT DIRECT LOAN FINANCING

- ◆ Loans up to 100% of market value with no down payment.
- ◆ Loans for new construction, purchase of new or existing dwellings, necessary repairs.
- ◆ Homes must be located in rural communities. All communities in Nebraska are eligible for housing programs with the exceptions of Fremont, Grand Island, Hastings, Kearney, Lincoln, North Platte, Omaha and South Sioux City/Dakota City.
See <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> for eligible areas.
- ◆ Client works under a centralized process with Rural Development offices and may pre-qualify online at:
http://www.rurdev.usda.gov/NEHousingPrograms_Direct_Pre_Qualify_SFH_Direct_Loan.htm
- ◆ Must have acceptable credit demonstrating timely payment of obligations. Credit scores of 640 or greater are typically considered as acceptable without additional documentation. Credit scores below 640 may require additional credit analysis.
- ◆ Maximum purchase price limits vary by county. You can view current loan limits at:
<http://www.rurdev.usda.gov/SupportDocuments/NE2012%20Area%20Loan%20Limits.pdf>
or contact your local Rural Development Office.
- ◆ Homes must be considered “modest” which includes a standardized square footage determination. For Nebraska, this is 1,800 square feet (above grade living space only). If circumstances require a larger square footage, the applicant must work with processing staff to determine if an exception may be justified and requested.
- ◆ **Very low to low income limits.
- ◆ Competitive fixed rates—33/38 year loan terms.
- ◆ SOME CLIENTS MAY QUALIFY FOR SUBSIDIZED PAYMENTS—Interest rate may be subsidized to as low as 1% for qualified applicants, thereby making payments more affordable. These homeowners could be subject to recapture upon selling their home.
- ◆ Homes must be structurally sound and functionally adequate. Homes will be inspected and repairs may be necessary. Costs for repairs may be included in the loan.
- ◆ NOTE: Homebuyer Education may be required on Rural Development loans prior to loan closing.

****ALL** household income must be considered (even if not the applicant or co-applicant) when determining if the family meets the qualifying household income limits. Income limits for applicable counties is available at: <http://eligibility.sc.egov.usda.gov>

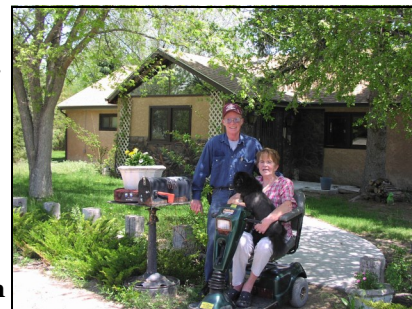
UNDERSTANDING THE DIRECT LOAN

Timeframe: 4-6 weeks

1. Interested parties may submit a “pre-qualification worksheet” and “authorization to release information” form to Rural Development to determine if a potential applicant meets basic eligibility requirements for the 502 direct program. See the following pages for the Pre-Qual Worksheet and Authorization form OR visit our website (for a fillable form) at:
http://www.rurdev.usda.gov/NEHousingPrograms_Direct_Pre_Qualify_SFH_Direct_Loan.htm
2. After pre-qualifying, clients submits application to Rural Development to apply for financing.
3. Rural Development orders credit report, verification of employment, rent, etc. as applicable.
4. Rural Development works with client, and if eligible, issues a “Certificate of Eligibility” for specific pre-qualified amount. Certificate is valid for 45 days and may be extended to 60 days upon request AND AVAILABILITY OF FUNDS.
5. Client enters into a purchase agreement on a home (ALLOW AMPLE TIME TO CLOSE-WRITE CONTRACT FOR 45-60 DAYS MINIMUM). Contact Rural Development for fund verification prior to contact signing if concerned about funding availability.
6. Rural Development performs walk through of home (or orders 3rd party inspections as applicable. The appraisal may be utilized instead of the RD walk through).
7. Inspection of home completed by qualified inspector(s) to ensure house is structurally sound; plumbing, electrical and heating systems are adequate. Termite inspection to ensure the house is free of wood damaging pests. Required repairs may be necessary.
8. Rural Development orders appraisal.
9. Rural Development reviews title report.
10. Rural Development obligates funds
11. Closing held at title company of buyer’s and/or seller’s choice.

**RURAL DEVELOPMENT HELPS GET DEALS
DONE AND YOUR CLIENTS INTO HOMES.**

Stan and Connie Mathson





United States Department of Agriculture

NEBRASKA - USDA Rural Development Pre-Qualification Worksheet

Please complete and return this worksheet with the "Authorization to Release Information"

Form RD 3550-1 signed by each potential applicant.

Return Pre-Qual Worksheet to your closest office per:

<http://www.rurdev.usda.gov/NE-ContactUsDirectHomeownershipLoan.html>

After our review, we will contact you to discuss the pre-qualification results.

This is for information only and is not a formal application; you may submit an application at any time.

USDA Income and Property eligibility site: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

I wish to obtain assistance in _____ County

E-Mail address (Optional): _____

Potential Applicant Name: _____

Potential Co-Applicant Name: _____

Social Security Number: _____

Social Security Number: _____

Current Address: _____

Current Address: _____

City, State, Zip_____
City, State, Zip

Phone Number: _____

Phone Number: _____

Household Size: _____

Total Number of: Adults: _____

Children (age 17 or younger): _____

List ALL Members of the household

Income of ALL ADULTS in the household must be shown below:

| Please list all Household Members | Identify if Applicant, Co-Applicant, or Other Household Member | GROSS MONTHLY INCOME: List monthly income from employment (before taxes/deductions) include number of years employed | NON WAGE INCOME (Monthly Amount) Sources such as child support, Social Security, SSI, Food Stamps, VA, Retirement, Alimony, etc. | Full Time Student? Yes or No | Age |
|-----------------------------------|--|--|--|------------------------------|-----|
| (Sample) Jane Doe | Applicant | \$7.50/hr x 40/wk (3 years) | \$300/mo Child Support | No | 32 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Child Care Expenses for children 12 and under: \$ _____ Weekly for _____ Weeks (School Year)

\$ _____ Weekly for _____ Weeks (Summer)

Unreimbursed Medical and Disability expense: \$ _____ Per Month

| Debits (Creditors): All debts must be included even if currently deferred | Minimum Monthly Payment | Total Unpaid Balance |
|--|-------------------------|----------------------|
| (Sample) Car Payment-MyTown Bank | \$200.00 | \$4,000.00 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Child support or alimony paid by household members: \$ _____ ☐ Monthly OR ☐ WeeklyAssets: Checking Account Balance: \$ _____ Do you own real Estate? ☐ Yes, Amount: \$ _____ OR ☐ No

Savings Account Balance: \$ _____

Other Assets (land, investments, cash): \$ _____

Retirement Assets: \$ _____

List Any Other Assets: _____

Current Living Conditions: ☐ Renting ☐ Living with Relative ☐ Homeowner Monthly Rent: \$ _____Do you have a present or past loan/grant with Rural Development: ☐ Yes ☐ No

How did you find out about our program? _____

"This institution is an Equal Opportunity Provider and Employer."

United States Department of Agriculture
Rural Development
Rural Housing Service

AUTHORIZATION TO RELEASE INFORMATION

TO: _____

RE: _____

Account or Other Identifying Number

Name of Customer

I, and/or adults in my household, have applied for or obtained a loan or grant from the Rural Housing Service (RHS), part of the Rural Development mission area of the United States Department of Agriculture. As part of this process or in considering my household for interest credit, payment assistance, or other servicing assistance on such loan, RHS may verify information contained in my request for assistance and in other documents required in connection with the request.

I, or another adult in my household, authorize you to provide to RHS for verification purposes the following applicable information:

- Past and present employment or income records.
- Bank account, stock holdings, and any other asset balances.
- Past and present landlord references.
- Other consumer credit references.

If the request is for a new loan or grant, I further authorize RHS to order a consumer credit report and verify other credit information.

I understand that under the Right to Financial Privacy Act of 1978, 12 U.S.C. 3401, *et seq.*, RHS is authorized to access my financial records held by financial institutions in connection with the consideration or administration of assistance to me. I also understand that financial records involving my loan and loan application will be available to RHS without further notice or authorization, but will not be disclosed or released by RHS to another Government agency or department or used for another purpose without my consent except as required or permitted by law.

This authorization is valid for the life of the loan.

The recipient of this form may rely on the Government's representation that the loan is still in existence.

The information RHS obtains is only to be used to process my request for a loan or grant, interest credit, payment assistance, or other servicing assistance. I acknowledge that I have received a copy of the Notice to Applicant Regarding Privacy Act Information. I understand that if I have requested interest credit or payment assistance, this authorization to release information will cover any future requests for such assistance and that I will not be renotified of the Privacy Act information unless the Privacy Act information has changed concerning use of such information.

A copy of this authorization may be accepted as an original.

Your prompt reply is appreciated.

Signature (Applicant or Adult Household Member)

Date

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0172. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

RHS Is An Equal Opportunity Lender

SEE ATTACHED PRIVACY ACT NOTICE

AFFORDABILITY THROUGH SUBSIDIZED PAYMENTS DIRECT LOAN PROGRAM

The direct loan program allows for payment assistance (subsidy) that temporarily reduces the effective interest rate paid by the borrower on their home loan (as low as 1% based on income qualifications). The subsidized interest rate allows clients to purchase a home they normally would be unable to afford based on conventional or guaranteed mortgage rates and terms. Payment Assistance:

- 1) Enhances applicant's repayment ability for Rural Development Direct Loan;
- 2) Temporarily lowers borrower's required monthly mortgage payment;
- 3) Is based on applicant's household income and is reviewed annually.

EXAMPLES

| LOAN TYPE | TERMS | | PAYMENT |
|-------------------------------|----------|--|---|
| Conventional loan | 30 years | \$100,000 @ 4.00% | \$477.42 monthly principal & interest (P&I) payment |
| Rural Development Direct loan | 33 years | \$100,000 @ 3.25%(Rural Development's "full note rate" is typically lower than conventional rates) | \$412.01 monthly P&I payment |

PAYMENT ASSISTANCE is granted to eligible applicants based on the lesser of: Principal, interest, taxes & insurance (PITI) at full note rate less 24% of applicants' adjusted monthly income (calc #1)*
OR Note installment at 1% (calc #2)**

FOR EXAMPLE PURPOSES ONLY

| 4 Person Household | | | | |
|---|---------------------------|------------------------|-------------------------|-------------------------------|
| Real Estate Taxes \$2,400 yr + Insurance \$600 yr = \$3,000 / 12 mo = \$250 month | | | | |
| Annual Income | Less Dependent Deductions | Adjusted Annual Income | Monthly Adjusted Income | Monthly Adjusted Income X 24% |
| \$30,000 | -\$960 | \$29,040 | \$2,420 | \$580.80*** |
| PAYMENT ASSISTANCE (SUBSIDY) CALCULATION | | | | |
| <u>(calc #1)*</u> | | | <u>(calc #2)**</u> | |

| | | | |
|--|------------|-------------------|-------|
| RD monthly full note pmt (\$412) + monthly taxes & insurance (\$250) | \$662 PITI | Full Note payment | \$412 |
|--|------------|-------------------|-------|

| | | | |
|---|-----------|----------------------|----------|
| ***Less: 24% of adjusted monthly income | -\$580.80 | Monthly payment @ 1% | \$296.58 |
|---|-----------|----------------------|----------|

| | | | |
|------------|---------|------------|----------|
| Difference | \$81.20 | Difference | \$115.42 |
|------------|---------|------------|----------|

Applicant's monthly subsidy=\$81.20

Monthly full note rate \$412 - \$81.20 monthly subsidy = \$330.80 monthly P&I payment by borrower

SUBSIDY RECAPTURE

SUBSIDY RECAPTURE —

DO I HAVE TO PAY SUBSIDY BACK?

The borrower signs a subsidy repayment agreement at closing. A portion of subsidy may be required to be repaid when the property is sold, is no longer occupied by the borrower or the loan is paid off.

This calculation is based on a determination of value appreciation, taking into consideration original equity, current market value, capital improvements, closing costs, amount of subsidy granted, average interest rate and number of months the loan was outstanding.



EXAMPLE: Subsidy granted \$81.20/mo
for 120 months (10 years)=\$9,744

Home purchase price \$100,000

Current market value \$120,000

Capital improvements \$2,000
(by borrower)

Closing costs \$9,500

Estimated subsidy recapture to be
repaid at the time of sale is \$4,872.

Rural Development will determine the
amount of subsidy to be repaid at the
time of payoff.



OBTAINING A DIRECT LOAN PAYOFF

All direct loans are serviced through our Centralized Servicing Center (CSC) in St. Louis, MO.

Maximum or estimated **payoff information** may be **obtained through our Interactive Voice Response (IVR) system with a touch-tone phone by calling: 1-800-414-1226.**



It will be necessary to have the borrower's loan account number and last 4 digits of their social security number to access the payoff options through the IVR system.

- ♦ A maximum payoff will include the outstanding loan balance, including ALL subsidy that has been granted on the account.
- ♦ To obtain the estimated payoff with estimated subsidy recapture calculated, enter the estimated market value and closing costs. A verbal estimated payoff will only be provided through the IVR system. **An estimated payoff should NOT be used to submit a payoff, as these figures are only estimates.**

To obtain a **FINAL** written payoff statement with the amount of subsidy recapture due, the following will need to be provided:

1. Appraisal or signed purchase agreement
2. Estimated HUD 1 settlement statement-closing agent
3. Projected payoff date
4. Borrower account number and borrower authorization

Final payoff requests with supporting information may be faxed to:
CSC Payoff Department
FAX# (314) 457-4433

(See next page for a FAX cover sheet that may be used to request a final payoff.)



FAX COVER SHEET FOR FINAL PAYOFF REQUEST

FAX COVER SHEET FOR FINAL PAYOFF REQUEST

TO: USDA RURAL DEVELOPMENT-CSC
PAYOFF/RESEARCH SECTION

ATTN: FC 251

4300 GOODFELLOW BOULEVARD, BLDG 105E

ST. LOUIS, MO 63120-1703

Phone: 1-800-414-1226

FAX: (314) 457-4433

FROM: _____

FAX: _____

Phone: _____

Number of Pages including cover sheet: _____

We are assisting the subject Rural Development customer in selling their home. They have asked us to obtain a payoff quote from you on their behalf. See below for authorization. I am requesting the calculation of principal, interest, and recapture due for the following borrower:

CUSTOMER NAME: _____

CUSTOMER ADDRESS: _____

RHS ACCOUNT NUMBER _____

OTHER ITEMS TO BE INCLUDED WITH THIS FAX:

1. Estimated Settlement Statement from Closing Agent
2. APPRAISAL - Fax the first 2 pages of the Uniform Residential Appraisal Report (make sure the appraiser SIGNED the report) **OR** SIGNED SALES AGREEMENT if the property is being sold.

Proposed Payoff Date _____

We hereby authorize USDA Rural Development to provide the account and payoff information as requested.

Borrower Signature

Date

NOTE: If all of the above information is not received in its' entirety, your payoff request WILL be delayed.

Include the borrow account number on EVERY item faxed or mailed to CSC.



USDA RURAL DEVELOPMENT GUARANTEED RURAL HOUSING LOAN FINANCING

GUARANTEED RURAL HOUSING (GRH) LOAN FINANCING

- ◆ Loans up to 100% of market value (102% with GRH fee financed) with no down payment.
- ◆ Loans for new construction, purchase of new or existing dwellings, necessary repairs.
- ◆ Homes must be located in rural communities. All communities in Nebraska are eligible for housing programs with the exceptions of Fremont, Grand Island, Hastings, Kearney, Lincoln, North Platte, Omaha, and South Sioux City/Dakota City.
See <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> for eligible areas.
- ◆ Loan closing costs can be financed within 100% of appraised value.
- ◆ One time guarantee fee (2%) of loan amount charged. Guarantee fee can be financed to allow a 102% loan. Annual fee of .4% based on average annual unpaid principal balance. The annual fee can be added to the monthly escrow from the borrower and paid out of escrow annually.
- ◆ **Clients work directly with mortgage lenders** of their choice who are approved for participation in the GRH program. A list of approved lenders may be found at:
http://www.rurdev.usda.gov/SupportDocuments/NE_Alphabetical_Lender_List.pdf
- ◆ Competitive fixed 30 year interest rates.
- ◆ GRH program can be used with NIFA loan products.
- ◆ Applicant not required to be first time home buyer, however, if using the GRH program in conjunction with NIFA, must also meet NIFA criteria.
- ◆ Generous income limits. Cannot exceed moderate income limit for the county.**
- ◆ No maximum purchase price limit.
- ◆ Homes must meet HUD property standards to insure the property is structurally sound and functionally adequate. Inspections are completed by appraisers or other knowledgeable inspectors.

****ALL household income must be considered (even if not the applicant or co-applicant) when determining if the family meets the qualifying household income limits. Income limits for applicable counties are available at : <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>**

MANAGING THE GUARANTEED LOAN TRANSACTION



1. Clients meet with a participating mortgage lender of their choice. A list of lenders approved to participate in the GRH program is available at:

http://www.rurdev.usda.gov/SupportDocuments/NE_Alphabetical_Lender_List.pdf

Applicant eligibility criteria:

- ♦ Dwelling must be used as a primary residence on a permanent basis and located in an eligible rural community.
- ♦ Must have acceptable credit demonstrating timely payment of obligations. Credit scores of 680 or greater are typically considered as acceptable, however credit scores below 680 may also be considered if there are mitigating circumstances. Additionally, applicants must be unable to obtain conventional credit at reasonable rates and terms.
- ♦ Have repayment for the loan: PITI 29%; Total Debt 41% (higher ratios allowed with higher credit scores and/or compensating factors).
- ♦ Steady and dependable income.
- ♦ Annual income cannot exceed the moderate income limit.

AUTOMATED UNDERWRITING

An automated Guaranteed Underwriting System (GUS) is available to approved lenders specifically for the Guaranteed Rural Housing Program that allows lenders to pre-qualify applicants and process the application with less paperwork and reduced time.

2. Clients complete the loan documents with the lender. Lender processes and underwrites the loan.
3. Lender orders the appraisal. Lender contacts the agent, seller, and client if there are necessary repairs.
4. Lender submits the underwritten loan package to the local Rural Development office for guarantee review. Rural Development issues a conditional commitment to the lender.
5. Lender closes the loan and submits the guarantee fee to Rural Development.
6. Rural Development issues the guarantee to the lender.



**GRH financed home
Laurel, Nebraska**

GUARANTEED FINANCING: "BEST FOR THE BORROWER"

COMPARE WHAT RURAL DEVELOPMENT GUARANTEED FINANCING OFFERS YOUR CLIENTS

- ⇒ Loan payment based on \$100,000 loan
- ⇒ 3.5% interest rate
- ⇒ Real estate taxes and homeowners insurance not in payment to illustrate loan comparison

The payment and calculations below are for information purposes only

| | RD | FHA |
|------------------------------|-----------------------------|----------------------------------|
| Fee Structure | 2% Upfront Fee = .4% Annual | 1.75% Upfront Fee = 1.35% Annual |
| Interest Rate | 3.50% | 3.50% |
| Loan Term | 30 Years | 30 Years |
| Down Payment | \$0 | \$3,500 (3.5%) |
| Base Loan | \$100,000 | \$96,500 |
| Up Front Fee | \$2,040.82 | \$1,688.75 |
| Total Loan | \$102,040.82 | \$98,188.75 |
| Principal & Interest Payment | \$458.21 | \$440.91 |
| Annual mortgage Insurance | \$33.72 | \$108.56 |
| Total Monthly Payment | \$491.93 | \$549.47 |
| Without Upfront Fee Financed | \$482.08 | |

RD implemented a reduced upfront fee of 2 percent and implemented a .4 percent annual fee effective October 1, 2012. This has allowed the program to remain "budget neutral", meaning it will no longer rely on tax payer dollars.

Based on the above scenario, RD still offers the least out of pocket costs with NO DOWNPAYMENT and continues to have a lower monthly payment of almost \$58 per month after both fee changes were implemented.

100% GUARANTEED FINANCING IS STILL TOUGH TO BEAT!

*Lowest payment

*Least out of pocket cost

*Competitive fixed rate

*Affordable loan terms

*Opportunity to serve more clients

ELIGIBILITY REQUIREMENTS?

Eligibility Web site:

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>



- * **Eligible areas (Single Family Housing)**
- * **Quick client qualifier: income eligibility**
- * **Income limits by state**

A screenshot of the USDA Eligibility website. The header includes the USDA logo, "United States Department of Agriculture Rural Development", and a "Rural Development" logo with the tagline "Committed to the Future of Rural Communities". A navigation bar contains links for "Home", "About SCA", and "Contact Us". The main content area is titled "Eligibility" and includes a message about browser requirements (Internet Explorer 5.0 or Netscape 4.76) and screen resolution (1024 X 768). Below this is a "Welcome to the USDA Income and Property Eligibility Site" section with three paragraphs of text. On the left side, there is a sidebar menu with categories: "Eligibility" (with a "Home" link), "Property Eligibility Programs" (with links for "Single Family Housing", "Multi Family Housing", and "Business Programs"), "Income Eligibility Programs" (with a link for "Single Family Housing"), "Income Limits" (with links for "Single Family Housing", "Direct", and "Guaranteed"), and "Loan Program Basics" (with links for "Single Family Housing" and "Direct").



GUARANTEED RURAL HOUSING PROGRAM



GRH Financed Home-Waverly, Nebraska

#1: TRULY A 100% PRODUCT—NO DOWN PAYMENT REQUIRED

Closing costs, repairs, etc. may be rolled into the loan up to the appraised value and the GRH fee can be financed above the appraised value to allow for a 102% loan.

#2: HIGHER HOUSING & TOTAL DEBT RATIOS THAN CONVENTIONAL CREDIT

Qualifying ratios of 29/41 with ratio waivers available when needed. Credit scores of 680 or greater are typically considered as acceptable, however credit scores below 680 may also be considered. Non-traditional credit histories accepted.

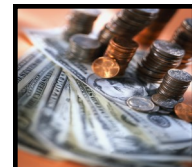
#3: RD STILL OFFERS THE LEAST OUT OF POCKET COSTS and CONTINUES TO HAVE AN AFFORDABLE MONTHLY PAYMENT!

WHY WOULDN'T A CLIENT CHOOSE A RURAL DEVELOPMENT LOAN?



They live in an ineligible area (Ineligible areas include Dakota City, South Sioux City, Fremont, Grand Island, Hastings, Kearney, Lincoln, North Platte, Omaha (including Elkhorn & Bellevue).

They make too much money (exceed the moderate income limit).



They already own adequate housing in the local commuting area.



PROPERTY AND SITE REQUIREMENTS (GUARANTEED AND DIRECT LOAN PROGRAMS)



EXISTING PROPERTIES financed by Rural Development must be structurally sound and functionally adequate. Water and septic inspections may be required if the property is served by individual systems. Termite inspections may be required.

GRH Program: Property must meet HUD minimum property standards. Inspections may be completed by appraisers on the HUD appraiser roster or by other inspectors who are knowledgeable of HUD guidelines.

Direct Program: Inspections must be made by qualified inspectors for plumbing, heating/cooling, electrical, and structural if necessary.

Flood certifications to be obtained on all properties. Existing properties in a flood hazard area require an elevation survey, flood insurance and additional review by Rural Development for acceptance. New homes cannot be located in flood hazard areas.

Value of the site cannot exceed 30% of the total value of the property.

Property must be considered residential. Acreages may be loaned on, however, Rural Development typically cannot loan on farm-related property or properties used primarily for agricultural, farming, farm operation, or commercial enterprises.

Appraisals must be completed by licensed or certified appraiser. For the GRH program, the lender is responsible for obtaining a qualified appraiser. For the Direct program, Rural Development Field Offices will order the appraisal from an acceptable appraiser.



MANUFACTURED HOUSING is housing formerly referred to as mobile homes or trailers. This housing is built in a factory on a non-removable steel chassis and is built to conform to Federal Building Codes, called the HUD code, rather than building codes at their destination. New manufactured homes can be financed if the manufactured dealer contractor is on the Rural Development approved dealer contractor list. The manufactured home must be placed on a permanent foundation. Contact your local Rural Development Field Office for a copy of approved manufactured dealer-contractors for Rural Development programs. Existing manufactured homes cannot be financed.



NEW CONSTRUCTION (including modular housing) dwelling plans and specifications must be certified by a licensed architect, an engineer or other acceptable code official verifying that the planned construction meets the 2003 International Residential Building Code and 2006 International Energy Conservation Code for thermal standards. Minimum construction inspections must be completed: (1) footings while under construction, (2) after the dwelling is framed in and (3) final inspection once all work is completed.



HOMEBUYER EDUCATION



Purchasing a home is likely one of the largest investments a buyer will make.

Homebuyer Education Requirements for Rural Development Programs

Homebuyer education is an important tool for homeownership success. It helps to ensure that first time buyers are informed and educated about the process and responsibilities with owning a home.

DIRECT LOAN PROGRAM

Rural Development requires homebuyer education for first time buyers, prior to the loan being closed.

Qualified providers: A collaborative of housing partners had a series of meeting concerning homebuyer education needs in Nebraska. The outcome of that collaboration was the development of the Readiness, Education, Awareness Collaborative for Homebuyers and Homeowners (REACH). This homebuyer education program is delivered through the Nebraska Housing Developers Association. The website for standards, tests, available course dates and locations, etc. is: <http://www.housingdevelopers.org/>

An optional online homebuyer education course may be used that has been approved. The web site is: www.eHomeAmerica.org The borrower should assure that if they are working with any downpayment assistance programs, that this online course will satisfy those requirements as well prior to taking it.



GUARANTEED RURAL HOUSING (GRH) LOAN PROGRAM

For the GRH program, lenders are encouraged to offer or provide home ownership counseling. Lenders may require first-time homebuyers to undergo such counseling if it is readily available. If required by the lender, GRH applicants should discuss with their lender the type of homebuyer education to be completed.

RESOURCES AVAILABLE ON THE WEB

USDA RURAL DEVELOPMENT-NEBRASKA: <http://www.rurdev.usda.gov/ne/>

The web site provides information about our housing programs, agency and lender contacts and additional eligibility information, as well as links to many other Rural Development web sites. **CHECK IT OUT!!!!**

INCOME AND PROPERTY ELIGIBILITY: <http://eligibility.sc.egov.usda.gov>

Visit this web site for determining if a property is located within an eligible area, applicant income eligibility and income limits for the Rural Development housing programs.

APPLICANTS MAY PRE-QUALIFY FOR A DIRECT SINGLE FAMILY HOUSING LOAN:

http://www.rurdev.usda.gov/NEHousingPrograms_Direct_Pre_Qualify_SFH_Direct_Loan.htm

This is voluntary and does not represent an application, but the Pre-Qual review provides an opportunity to consider whether an applicant meets basic eligibility requirements for the 502 Direct Program and the likelihood that an applicant would be program eligible. There is a no cost for the pre-qual review. Rural Development will complete the review based on the unverified information provided and contact the potential applicant with the results. Please feel free to share the Pre-qual worksheet and the link with your clients that are seeking to purchase a home.

CENTRALIZED E-MAIL ACCOUNT FOR GENERAL QUESTIONS: We have developed a centralized email account where interested parties, partners, etc can submit questions or general program inquiries regarding the SFH DIRECT program. The email address is:

RA.NELincoln2.RD.Questions@ne.usda.gov

NEBRASKA INVESTMENT FINANCE AUTHORITY: <http://www.nifa.org/>

Nebraska Investment Finance Authority (NIFA) is a state housing agency in Nebraska. NIFA can assist first time homebuyers to obtain financing through single family bond issues, which typically allows for lower interest rates. The NIFA program can be used in conjunction with the Rural Development GRH program.

SUCCESS STORIES: http://www.rurdev.usda.gov/ne/success_stories.htm

This link provides success stories of housing assistance provided to families in Nebraska through Rural Development in partnership with Realtors, lenders and non-profit organizations.

**Crystal and Miguel Alarcon
Crete, Nebraska**



USDA RURAL DEVELOPMENT OFFICE DIRECTORY

Single Family Housing Direct Homeownership Loans

March 2014

For information on Direct Homeownership loans or to complete a Pre-Qualification request, please visit our Agency website at:
http://www.rurdev.usda.gov/NEHousingPrograms_Direct.htm

You may also contact an office nearest you:

Centralized Loan Processing Center

Scottsbluff Office (308) 632-2195 Fax (855) 207-0384

818 Ferdinand Plaza, Suite B., Scottsbluff, NE 69361-4401

e-mail

| | | | |
|---------------|----------|----------------------------------|--|
| Tammy Strey | ext 1135 | Single Family Housing Specialist | tammy.strey@ne.usda.gov |
| Debra K. Suhr | ext 1136 | Single Family Housing Technician | debra.suhr@ne.usda.gov |
| Jyssica Sule | ext 1129 | Single Family Housing Technician | jyssica.sule@ne.usda.gov |

The Scottsbluff Office has established each Monday for "walk-in" customers who do not have a scheduled appointment. For the remainder of the week, please contact the office in advance to schedule an appointment as staff may not always be available.

Kearney Office (308) 237-3118 Fax (855) 207-0384

4009 6th Avenue, Kearney, NE 68845-2386

e-mail

| | | | |
|---------------|----------|----------------------------------|--|
| Cheryl Larson | ext 1123 | Single Family Housing Specialist | cheryl.larson@ne.usda.gov |
|---------------|----------|----------------------------------|--|

Lincoln Office (402) 437-5748 or 402-437-5551 Option 1 Fax (855) 207-0384

100 Centennial Mall North, Suite 308 Federal Building, Lincoln, NE 68508

e-mail

| | | | |
|---------------|--|----------------------------------|--|
| Rebecca Adams | | Single Family Housing Specialist | rebecca.adams@ne.usda.gov |
|---------------|--|----------------------------------|--|

Norfolk Office (402) 371-5350 Fax (855) 207-0384

1909 Vicki Lane, Suite 103, Norfolk, NE 68701

e-mail

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|----------------|----------|----------------------------------|--|
| Jeff Carpenter | ext 1020 | Single Family Housing Specialist | jeff.carpenter@ne.usda.gov |
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For General Program Questions

E-Mail:

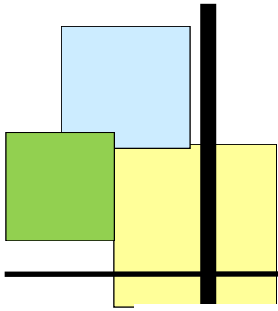
RA.NELincoln2.RD.Questions@ne.usda.gov

Spanish Speaking applicant's for the DIRECT Program may contact Rebecca Adams in the Lincoln Office

Applicants may contact, and work directly with, the approved lender of their choice for the Guaranteed Home Purchase Program.

A list of lenders approved to participate in the GRH program is available at:

<http://www.rurdev.usda.gov/SupportDocuments/NEApproved%20Lender%20List.pdf>



USDA Rural Development Yard Signs



SIGNS AVAILABLE FOR REALTOR USE!

Contact a Rural Development office near you for information on checking these signs out for your use at no charge!

Rural Development is making Rural Development 100% Financing yard signs available to Nebraska Real Estate professionals.

These signs will be provided at no cost for display in properties that meet Rural Development property eligibility guidelines. If you would be interested in receiving yard signs for use in marketing your listings, please contact a USDA Rural Development Office near you.



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(Not all prohibited bases will apply to all programs and/or employment activities.)